ECONOMIC TRIBULATION

by

VINCENT C. VICKERS

Director of The Bank of England
1910-1919

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Surely **YOU,** as tax and rate-payer, are concerned with constantly rising prices, increased rates and taxes, and high interest rates.

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Read, for your enlightenment, what a former Director of The Bank of England has to say.

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"In so far as we are able, we must try to assist our fellow-men to understand. This we can do fearlessly; for that which is mistaken or false will carry no weight and will be lost and forgotten, whilst that which is true will prevail."

Published by kind permission of the Economic Research Council London W.1.
Printed by G. W. McKane & Son, Ltd., Keswick

NOTE

VINCENT CARTWRIGHT VICKERS was born on 16th January, 1879, and educated at Eton and Magdalen College, Oxford. He was a Deputy Lieutenant of the City of London, a director of Vickers, Limited, for twenty-two years, a director of the London Assurance from which he resigned in January, 1939. In 1910 he was made a director of the Bank of England, and resigned this appointment in 1919. Later, he became President of the Economic Reform Club and Institute.

He died on 3rd November, 1939, after a long illness during which, against time and with failing strength, he was working and writing on economics. A few days before his death he wrote : 'My keen desire to help up to the end has been the sole incentive which still enabled me to carry on perhaps a few weeks longer.'

It has therefore been my privilege to arrange my father's papers into the book which he laboured to finish, and which represents only a part of his ceaseless work towards national and international economic stability and his single-minded convictions of its attainment.

WILMA CAWDOR.

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FOREWORD

I who write this, need no proof of the importance of the money system upon the very lives of the people and even to the future existence of the British race, so long as that system fills the position which it now holds in our National Economy.

There are many thousands of well-educated men and women who, I believe, endorse my views in their entirety. But even for the most zealous of money reformers to attempt to write upon so vast and momentous a subject as our monetary system and the management of our national finances, such attempt would appear doomed to failure unless it were supported by great financial experts whose names were a by-word in the country. The next best alternative was that the author should himself be qualified by past experiences to express an opinion worth reading.

I therefore decided to take the unprecedented course of offering to my readers my own qualifications for putting down before the British people the very precarious condition of our monetary system as it exists in this country to-day ; that this our money system forms the most important part of our economic system, and that the nation's economic system forms part of our social system.

Ever since that day in 1926, when, not in arrogance but with humility, I felt it my duty to explain to the Governor of the Bank of England, Mr. Montagu Norman, that 'henceforth I was going to fight him and the Gold Standard and the Bank of England policy until I died' —(and well I remember the words of his reply !)— I have been an ardent money reformer. Some few years afterwards I resigned my long directorship of Vickers, Limited; since when I have spent much time and money in advocating the necessity for a reform of the monetary system. This has naturally brought me into contact with most sections of the community; with Communists and those with axes to grind, with malcontents and debtors, and, in addition, with men and women who are

honest and disinterested patriots. Not more than a tenth of my income is earned ; the rest comes from investments in banks, Bank of England stocks, American and Canadian securities, etc., and, mainly, from British industrial securities. I am therefore a 'capitalist'—one who has seen better times—and content to remain in my present financial position, but most unwilling to have my present standard of living further reduced. I bear no ill-feeling towards my own class or any other class. I seek neither notoriety nor kudos. If someone can change my convictions I shall be only too ready to alter them. But in fifteen years nothing whatever has occurred to make me alter my views. I still believe that the existing system is actively harmful to the State, creates proverty and unemployment, and is the root cause of war.

This personal confession is merely to demonstrate that I have seen both sides of the picture. My opinions are based upon my own experience and knowledge. I am to-day in the unique position of being absolutely and entirely devoid of animosity and wholly disinterested. I feel myself no longer under any restrictions whatsoever, except to guard against doing harm to my country or giving offence to anyone.

V. C. V.

October, 1939.

I

ECONOMIC POLICY AND OUR STANDARD OF HONESTY

SLOWLY but inevitably the old financial system is crumbling under the weight of modern conditions and the better education of the people; the sooner it crumbles the better, and the sooner it gives way to a better and more modern technique the sooner will the world achieve goodwill and peace amongst men.

The present order of things must change. The economic structure of civilization is obviously leaning heavily. To build upon it, to add weight to it as it now stands, crooked and unsafe, can only bring nearer the day of its collapse.

The structure must be surveyed from its foundations upwards, and the quality and suitability of its masonry tested. Then, having discovered where its weaknesses lie, we must endeavour with honesty to restore the walls and make them strong once more and upright as they were meant to be. Then and then only can we safely proceed with the building and work in peace. We can no longer trust to a complication of endeavours to conceal the existing flaws and to cover up gross injustices and mistakes by temporary expedients. In future our labours, if they are to succeed, must be directed towards the general betterment of mankind and the progress of humanity. Only by such efforts can our economic structure once more follow the proper plan of its building, in accordance with the original design of its Architect.

For the hard-headed business man, for the astute financier, for the man in the street, sheer common-sense and force of circumstance must now compel the realization that it is only the powers of the spirit which can be relied upon to save humanity from the consequences of man's failure to follow the right way. President Roosevelt has said : 'Rules are not necessarily sacred. Principles are. The methods of the old order are not, as some would have you believe, above the challenge of youth . . .' Is it not time to see that in the future we

are no longer to be enslaved by the methods of the old order, but that we are to be equitably governed under principles which will indeed be sacred, because they will be founded upon Christianity itself and will be Christian principles ?

But, it will be asked, how can we, as practical men with mundane mentalities, combine Christian principles with business abilities ? Our business is to quote you a price, not a text from the Gospel according to St. Luke ! When it comes to business, the Parson cuts no ice and is merely an interfering busybody who has often been instrumental in creating strikes and lockouts and controversies between Master and Man. What do you mean by putting forward such an impossible and grotesque suggestion ? Would our shareholders be satisfied if we said : " We can pay you no dividend, but the Lord will provide " ?

And the answer is this. We do not ask you to unseat your directors and put the bishops in their place, nor to introduce psalm-singing among your employees ; but rather to carry on as you are now doing, with only one exception—an exception to which no industry will dare openly to object, even though it may seriously affect certain trades which, like the mistletoe, thrive upon others. We ask that you carry on your affairs as at present, except that you be honest—honest not only with others but with yourselves. It is not enough to be able to call a spade a spade; with others, as with yourselves, you must be abe to put *all* the cards, and not only the spades, on the table, and to play the game throughout by the Christian principle of honesty.

Let us acknowledge the truth. Humanity is not suffering from unavoidable circumstances over which it has no control, but from the results of deliberate and dishonest actions of its own creation and invention. Fundamental laws, originally designed for the common welfare of the individuals of a community, have been broken—community laws which were never intended to permit the individual to grow fat upon the poverty of others, nor to permit him, in pursuit of his own personal profit, to base his standard of honesty upon

his own flexible conscience, consoling himself with gratitude that he is within the law. Nevertheless, just as man has brought upon himself, or has permitted, this world tribulation, so can he play his part in undoing the harm that has been done.

But how is this possible ? How can the ordinary individual change the world ? Shall the man in the street become an expert economist, or a banker, or a cabinet minister, and control the press and public opinion ? How otherwise can he assist in the regulation of manknd ? What is meant by 'lack of economic equilibrium,' 'sound finance,' 'stability of foreign exchanges,' 'currency restrictions,' 'the creation of credit,' 'the inverted pyramid of credit,' and a host of other such phrases ? The smell of long study, special technical ability, and great learning. Surely, then, it is commonly felt, it is better that ordinary individuals should leave economics to the economists, finance to the bankers, and national policy to the politicians ? But, alas, that is exactly what we have for too long been doing. Look at the result ! The experts have hopelessly failed. What is needed is a little less economics and a little more common sense.

All that is necessary for us ordinary men is that we should make use of the knowledge that is already ours —that is to say, the knowledge of good and evil; so that we may recognize, not only in others but in ourselves, those habits and customs and practices which are definitely harmful to the community as a whole, however advantageous they may appear to be to the individual or to some particular section of the community. For it is these habits and practices which have twisted scientific development into fetters upon the arms of society and turned the immense advantages of improved education into a growing discontent amongst the mass of the people. The future of the world is the future of the human race; the human race *is* the world; and the character and the welfare of Britain is the sum of the character and welfare of its population.

In so far as we are able, we must try to assist our fellow men to understand. This we can do fearlessly; for that which is mistaken or false will carry no weight and will be lost and forgotten, whilst that which is true will prevail.

* * *

What follows is certainly no economic treatise for experts to smile at. It is merely an attempt to show clearly that every man and woman in the country has his or her part to play in building up the future of the world ; and it is primarily for them that this book is written.

If the country were happy and contented, with its agriculture and its great basic industries at full swing, full of confidence in the future ; if the numbers of our unemployed stood at something approaching the unavoidable minimum, with the standard of living of the people far above any threat of starvation, malnutrition, or real poverty—then it might be possible for the nation to overlook some of the difficulties which are imposing such heavy handicaps upon its progress. But, as things are, the nation cannot continue to carry unnecessary burdens and can no longer afford to let these adversities pass unnoticed and untouched.

If it be true that we have, in fact, a democratic government, the will of the people will prevail ; and if it be not true, then it is best that this should be realized. For, in the latter case, still greater changes are inevitable.

Although it is the money system which is to be accused of dishonesty, those who use and depend upon a dishonest system, knowing that system to be dishonest, cannot themselves be regarded as honest men. Moreover, it may be that the present system, which international finance has forced our democratic government to adopt, uphold, and protect by every possible means, has undermined the character of the people and forced them to alter their definition of the word *honesty* so that it may be made to comply more nearly with modern practice.

There has never been a time in history when men and women in this country and all over the world have been so ready to admit that something is profoundly wrong somewhere. All of us have real or imaginary grievances; most of us are discontented with the general order of our lives. We want things we have not got; we are restricted when we want to be free; we ask questions but there is no one to answer. We search in vain for an honest opinion and for leadership, and yet, when things go wrong, we see how even our leaders foist the blame upon others for their own actions or inactions. There is amongst us a continual competition one with another for the good things of life.

What is the reason for this selfish and continuous struggle of humanity for a better life?

It is a recognized and acknowledged fact that the economic structure of the world is out of alignment, out of truth; and naturally this has created an intense desire to discover how and why and where it is at fault, and how best to rectify the defects of our social system.

The young men of this country, and those who will some day rule it, have been trained and educated to fill vacancies which no longer exist; the country has no room for them and no work. We can hardly blame them if they have become reformers, malcontents, or even Bolshevists. A dull intellect may for a time be satisfied with an enforced idleness; but he who has an educated brain must be given scope to exercise his abilities or his intellect must inevitably become twisted and his vision distorted.

We others, we older men, who have spent by far the greater part of our lives in a 'rising market,' where an average brain meant an average income and a superior intellect the promise of luxury, have no right to decry or belittle the attitude of the younger generation. Those who are to-day in a position to lead the country, influenced by happy memories of the old economic system, must endeavour to realize and to analyse more modern tendencies: to distinguish between those tendencies which are false and useless and those which are based upon human nature and are unconquerable and inevitable,

Rather than osbtruct and ignore genuine desires for a new and more equitable economy we should assist them and try to guide them in a proper direction.

If this is not done, if we set our faces against social reforms and continue to preach a return to the effete arrangements of the early Victorians, we shall be deliberately forcing the future majority of the country to adopt a ready made policy rather than to study and create a new and better plan, subject to present needs. That ready made policy, that advertised refuge for those who are fleeing in terror from the oppression, imaginary or real, of the old system, is a refuge open day and night ; its gaily painted doors wide flung to welcome the poor and needy and those in trouble or distress of mind or body. In fact, it is that form of so-called Socialism which holds out the illuminated promise of freedom, but which, in reality, is the gateway to the established slavery of Bolshevism.

Under our existing parliamentary system, the first consideration of any self-respecting and duly elected government is to remain in office. The party that can count on the whole-hearted support of that undeniable 'cheque-book influence' which banking, finance, and big-business leaders have at their disposal and which they can at all times exert, possesses in itself an electoral advantage which renders true statesmanship in our political leaders almost impossible. Our would-be statesmen, old and young, no matter to what section of what party they may happen to belong, can never usefully emerge from the sub-imago stage.

Had we possessed in this country a statesman with imagination bold enough to defy the orthodox principles of an antiquated financial system, there was much that might have been done years ago which was not done, but which would have very greatly assisted the conditions of this country and prevented the chaotic conditions of the world's production. But true statesmanship implies the advocacy of a far-sighted National Economic Policy, designed to benefit, not only this nation as a whole, but this British Empire as a whole, and consequently the Trading World.

Whether it be true to-day or not, the City of London is, by repute, still considered to be the money market of the world. It therefore stands to reason that, in so far as British policy is affected or controlled by the money-power of the City of London, so also must that same money-power most seriously affect the trade status of the world. It is inconceivable that British policy should flourish in an enforced alliance with, and largely controlled by, the money market of the world and the Bank for International Settlements and almost innumerable international, industrial, and financial combines.

To advertise our gifts of oratory by informing the people that 'this great country of ours should lead the world to prosperity,' fails to divert the national tendency, and the national necessity, to discard old-fashioned and orthodox ideas and to create a more modern economic system. But the immense task of bringing about any such economic evolution, entailing, as it does, a complete change in the relationship between the supply of money and the supply of goods, will be difficult enough even were all interests agreed upon the national necessity for such a change. Unfortunately, we have to contend with two schools of thought, possessing views which are often diametrically opposed to one another ; so much opposed, in fact, that open animosity and mistrust are becoming more and more apparent as the faults of the old system are driven out into the open by the pressure of new circumstances, and by the increasing demands of democracy for social justice which it is the aim of the new school to make possible and to achieve.

II

THE OLD SCHOOL OF THOUGHT

THE basic argument governing the mentality of the old school might roughly be described as follows:—

"Without money, nothing can be bought and nothing sold. Therefore nothing matters but money. No matter what the cost to the nation and its industries, no matter how it affects our volume of trade and unemployment and the trade of the world, under no circumstances must we allow anything to affect the smooth working of the money system. Obviously, the productive industries and their output must be regulated and organized; for if left to manage their own affairs producers would tend to produce more than the markets could consume. This applies also to our trade with foreign countries. Otherwise one class of producer, or one section of industry, or one trading country, would be obtaining more than its fair share of the *strictly limited amount of money* that we can render available for trade and commerce generally, for the markets, and for the purchasing power of the people which, above all, enables markets to absorb a greater or less volume of the output of producers, in accordance with the amount of money spent and with the price of the products,"

And it has therefore devolved upon the directors and managers of the money industry and of banking and finance, headed by the Bank of England with its charter, to exercise the existing monetary system, even if it entails war.

It is important to bear in mind that our monetary policy of the last several years has not, as heretofore, been a Bank of England policy, but the policy of H.M. Treasury, initiated by a Chancellor of the Exchequer who apparently realized that what had been permanently and definitely wrong with the nation's economic development was a monetary system controlled by the professional moneylenders and the professional creators of credit—controlled, that is to say, by financiers imbued with the theory that, because money and credit were obviously essential to the interchange of goods and commodities, therefore it was equally obvious and

essential that those who controlled money and the issue of credit should control trade, and should determine and regulate (under their own highly profitable system) those economic processes which enable production to find a market. This, of course, means that financiers in reality took upon themselves, perhaps not the responsibility, but certainly the power, of controlling the markets of the world and therefore the numerous relationships between one nation and another, involving international friendships or mistrusts.

Ignorant acquiescence in this theory, constantly and profusely advertised and upheld, has penetrated into the minds of the peoples and their Governments; so that to-day it is not food and shelter, comfort and health, recreation, enjoyment of life, and a fair share of the prodigious capacity of the world to produce and to benefit mankind, which are the direct aim of all men and all nations. Those who are hungry do not ask for bread or meat; they ask for money, so that they can buy.

So it is that the main concern of the average industrialist, and of the average director on the board of an industrial company, is to produce his goods as cheaply as possible, and, having done so, to sell his goods at the very highest price obtainable from the consumer; in order that his shareholders may benefit and that he may build up reserves of money against the 'uncertainties of the future'—whilst, at the same moment, the nation is told that 'confidence has been restored.' Confidence in what? Has our friend the director confidence in the banking system? if so, why should he hold up the profits which belong to the shareholders? Can he not be quite sure that, if and when the occasion should arise, he has only to go to his bank for all the money he needs? Does he not realize that, by distributing more money to his shareholders, he is increasing the purchasing power of those why buy his products? Perhaps he forgets that production is dependent upon the purchasing power of consumers, and that his first consideration should be the capacity of consumers to absorb his production, and *not*, first of all, the capacity of his works to produce at the lowest possible price and to

sell at the highest possible price. The future of his business is dependent upon the consumer, and it is the economic position of the consumer which governs not only the volume of the producer's output but the price that he can successfully ask for it.

Under our modern economy, it is true to say that all producers are consumers. But it is certainly not true to say that all consumers are producers ; for there are millions, in this country alone, who have never produced anything at all, who never will, and who could not if they would. Like the banker and the agent and the broker, they are middlemen. Nevertheless, it is the consumer, in his millions and in his capacity to purchase for money what is for sale on the market, who, fundamentally, governs the world's economy and therefore the peace of the world. For where there is contentment there will be no war ; and where there is discontent there will remain war and the threat of war.

From our earliest youth we have been brought up and nurtured under a false economy, which was originally acknowledged because of the simplicity and immense facilities which money, as a substitute for barter, gave to us all. We did not realize that the acceptance of this obvious benefit to mankind might one day dominate our welfare and eventually govern and control our progress. We have welcomed electricity instead of the oil lamp and the night-light, the advent of the motor car as a substitute for the hansom-cab, the water-supply company in lieu of laborious visits to a perhaps unreliable well. But have we been wrong in grasping at these modern opportunities ? Is it conceivably possible that a great nation, anxious and determined to go forward into a better and more equitable social era, will be persuaded that, regrettable though it is, this is not a reasonable request, but is in fact quite impossible because the nation does not possess enough credit, or notes, or cheques, or money, or gold, or silver, to enable this most desirable object to be achieved ?

Almost unbelievably, there are still individuals in this country who advocate a return to gold, emphasizing

the importance of banknotes being once more convertible into gold on demand. To some people this suggests and implies that all notes should again be convertible into gold sovereigns, pound for pound ; but it was never remotely possible to exchange the note issue for an equal number of sovereigns, nor even with the necessary weight of gold bars. The British public, even under the Gold Standard, could only be sure of the possibility of changing notes into gold provided they never asked for it in kind. For there never was, and never will be, sufficient gold to permit the note issue to be thus exchanged. The *maitre d'hotel* of the big restaurant prints *canard sauvage a la presse* on the menu, but even if one-quarter of his clientele should happen to demand it on the same day, they would quickly discover that it was 'off.'

In August 1914, when the public very foolishly thought that gold money was preferable to paper money and actually did demand gold for notes in considerable numbers, the Joint Stock Banks, like Brer Rabbit, lay low, and referred clients demanding gold to the Bank of England. A run on the Bank of England followed; and when a paltry ten millions or so of golden sovereigns had been handed over the counter to the waiting crowds, in exchange for notes, the whole money system collapsed and there followed a double Bank Holiday and a moratorium ; we went off the Gold Standard, and we were not even permitted to draw our own money from our own bank unless we could 'satisfy' the bank officials. Therefore the British public should be warned to regard with suspicion those who glibly talk of the advantages of gold convertibility ; for it is a technical term which is grossly deceptive and misleading, and should carry about the same weight as the expression 'sound finance.'

Every new invention, almost every phase in our progress, tends to produce a new nomenclature and new expressions. Some years ago we heard a great deal about 'rationalization of industry,' which in plain English meant 'drastic cuts of wages and schemes of amalgamation,' so that the price level of production

should make the restored Gold Standard look respectable by still leaving a margin of profit for the producer. Similarly, Inflation and Deflation of the currency : We have been taught that Deflation, which benefits the lenders of money (such as banks), is at times an unavoidable and necessary action in order to preserve 'sound finance' ; whilst Inflation, benefiting the debtor (such as farmers, shopkeepers, and traders), entails action which is so disgraceful that it should never be mentioned in any respectable bank parlour. When things changed, so that it had to be mentioned, the word 'Reflation' was coined — in order that orthodox economists should not have their delicate digestions upset by being made to eat their own words.

And 'sound finance' means nothing at all. It is merely a sort of bankers' slogan adopted to disguise the injustices of a credit system ; so that whatever the form of financial jugglery in question might be, it should, in the ears of the public, give the true ring of the genuine coin or, at any rate, have a comforting sound about it. Whether we like it or not, we must realize that the opinion of the City of London very often does not represent the opinion of the Country ; that 'sound finance' is essentially an expression invented by the banker and the dealers in credit. It involves stout adherence to a customary ratio as between deposits and loans; it entails the principle of giving the lowest possible interest to the depositor and obtaining the highest possible return from the borrower ; it favours, quite naturally, the rich, as against the poor, borrower, and gives a preferred credit to saleable collateral in the form of Stock Exchange securities rather than to any other security. But, above all, it entails that there should exist at all times a demand for credit and currency which, normally, exceeds the supply ; and it prescribes that there should be no reform and no legislation which might deprive the money industry of the natural and interested advantage of its monopoly or of its existing policy.

It permits and often encourages the taking of risks on the part of Industry and Commerce, but must avoid participation in that risk. It favours Deflation ; but abhors Inflation even when it is rechristened Reflation ; and, in an emergency, is always the first into the life-boat, the first to leave the sinking ship, and the last to man the pumps, It refuses to understand that money should be only a means of facilitating an equitable barter economy, and that there can be in reality no such thing as 'sound finance' so long as the country is unsound. It fails to believe or to understand that the welfare of a country's productive industries are of far greater national importance than the non-productive business of withholding, managing, and distributing a credit founded upon bank deposits which are the property of the bank's customers and are based upon the unlikelihood that depositors will all withdraw their credits at the same time. Under the immense advantages of the cheque system, hundreds of millions of pounds change hands every week between the bank's individual customers. This cheque system is dependent upon the integrity of the people as a whole, and mainly constitutes a series of book-entries involving the movement of an extremely small percentage of actual currency.

Another of the great features of the present monetary system is that extraordinary economic propensity known as the Trade Cycle— a phenomenon which is regarded by the majority of our banking and finance experts, and many an orthodox economist of the old school, as an unavoidable and unaccountable economic reaction, comparable with the to-and-fro swing of a pendulum but having, nevertheless, no definite frequency of vibration; whereby a boom must inevitably be followed by a slump, and a slump be the precurser of a boom. This 'unaccountable phenomenon' is of course a very objectionable feature ; for it destroys the confidence of the optimist whilst at the same time confounding the pessimist, and therefore induces a get-rich-quick-or-the-tide-will-turn mentality which tends to convert the most

sober trader into a quick-change artist, destroys permanent confidence, fills us with the spirit of gambling and speculation, and turns us all, so to speak, into Trade-cyclists.

The finance industry, the exchange bankers and the Stock Exchange grow rich upon the ups and downs of trade, and are largely dependent on variations and changes of the price levels of commodities. ***But productive industry grows rich upon stable markets, a constant price level, and the absence of violent economic fluctuations.***

There are not a few in the City of London who have (wholly legitimately) converted their annual incomes into annual repayments of capital, in order to escape the over-burden of British income-tax and super-tax. And yet it is the financiers of the City of London who are the great conscientous objectors to any 'premature' or 'emergency' reduction in this heavy burden of income-tax. How can one justly blame the Chancellor of the Exchequer when he budgets for the ultimate benefits of 'sound finance' rather than for the immediate necessities of producer and consumer ?

Under such general conditions the Communist is naturally content to abide his time; for he observes that the trend of affairs is slowly converging towards the very conditions which he most desires to see—a growing discontent with finance and the money system, an increasing weariness of the present form of party government, and an increasing poverty and loss of influence among those who have so recently been the mainstay and backbone of the country. Unless the great producing industries of this country hold together, consult together, and support one another, there is no safe anchorage for the nation in the storm that is already on the horizon.

III

CHANGES AND EXCHANGES

IN a national emergency it is essential that the nation should be able to rely implicitly upon an adequate supply of credit and currency to meet all possible contingencies. We cannot risk a repetition of the financial fiasco of August 1914, nor permit any unregulated flight of capital such as occurred at the time of the Munich crisis. We do not want once more a sudden inflation of the currency, followed eventually by a still more ruinous policy of long-term deflation. We know how we stand with regard to our Navy, Army, and Air Force, and that Fourth Arm, our Civil Defence. In addition we have the assurance that in time of war the nation can rely upon an adequate food supply. And yet, in spite of these defences, each one of which adds its quota to national confidence and spurs us to further efforts, we have heard little of encouragement concerning our money preparations for this emergency. The nation cannot be expected to have full confidence in the future whilst this vital Fifth Arm remains a more or less unknown quantity, obscured from the public eye and wrapped in mystery.

Cheap money and the exchange equalization fund have well fulfilled their peacetime objectives, and the nation has thrown off for ever the restrictions of the Gold Standard ; but such steps are not in themselves enough. The supply and issue of money and the creation of credit still remain almost entirely outside the control of the Government, and are still managed by Banking and Finance and by the Bank of England with its intimate associatons with the Bank for International Settlements ; whilst, until our actual declaration of war, Foreign Exchange speculators were permitted at all times to gamble with the nation's credit, untrammelled by any sense of patriotic duty and thinking only of their own profit. Although an Act of Parliament was designed

to enable the police to give the citizens of this country greater protection against the bomb-dropping propaganda of the I.R.A., these misguided terrorists have not done half as much harm to the nation as that consortium of Foreign Exchange speculators who were left free to initiate a national financial crisis whenever a profitable opportunity presented itself. Until these financial gangsters are permanently exterminated there can be no complete confidence in the economic welfare of the country.

Just as the greatest advocates of a better agricultural policy for the nation are the agriculturalists themselves, so the greatest opponents to a change of monetary policy are those who are themselves satisfied with the present order of things. Although there has always been grounds for the assertion that the Bank of England considers the profits of its stockholders as coming second in importance to the interests of the nation, the money industry, in all its branches, is not a charitable organization, but a non-productive industry working for profit. That part of our invisible exports which is profit to 'the money market of the world' (estimated at, say, £50,000,000 per annum) is obviosuly a national advantage of great importance. But in so far as this profit may accrue to the City of London at the expense of the nation, by promoting the importation of goods which can be better produced at home, so this profit becomes of infinite less value than profit derived from home productive industries which carries, in the cost of production, 70 per cent to 80 per cent of wages.

The moment we realize that, under the existing system, the main inducement to work is one of profit, it follows that the practices and rules and regulations governing the money industry must be mainly based upon its controllers' own desire for their own profit. It is therefore important to understand where the interests of banking and finance clash with those of the producer and consumer — that is, the community.

Three great deterrents to progress in productive industry are :—

1. Indebtedness and the fear of indebtedness.
2. Lack of capital.
3. Lack of adequate purchasing power in the markets.

Therefore the nation, the community, requires freedom from indebtedness where that hinders trade ; easy credit facilities at low rates of interest with adequate and just terms as to time of repayment ; and an ample purchasing power available to the public.

On the other hand, the money industry lives and depends upon the indebtedness of others — upon those who must borrow. The greater the nation's indebtedness, the greater the profit of the moneylenders and, in the same way as the money market of the world, the greater the world's indebtedness, the greater the profit of London's international financiers—provided, of course, that the borrower pays his interest and eventually the capital.

It may be said that capital is always available to 'credit-worthy' applicants; but, as the lender is always the sole judge of what constitutes credit-worthiness and bases his judgement upon comparisons of other securities available, those most urgently in need of capital are often unable to obtain it at all, or must pay exorbitant rates of interest to issuing houses, underwriters, or banks, etc. The slogan of the moneylender is, 'To them that hath shall be given.'

When we come to the question of interest it is plainly evident that the business of the lender is to obtain the highest possible return for his money. which is, of course, diametrically opposed to the interests of the producer. When we come to *adequate purchasing power*, which means adequate markets for produce, we see at once that a plethora or abundance of available free money, or of unborrowed currency in the hands of purchasers, would immediately *lower the demand* for money lent at interest, which is the stock-in-trade of

the banks and the money industry generally. It is therefore the first concern of the money industry so to regulate the supply of money that there shall be at all times be a constant demand for it.

Turning to other instances where financial and money interests are opposed to productive and public interests, we find that the exchange broker lives, not upon exchange, but upon movements and alterations of exchange. The public, and production, need fixed exchanges. The moneylender, up to a point, welcomes a high bank rate, and takes advantage of changes of the rate, The merchant banker lives upon exports and imports and has little interest in home production or the home market. The stockbroker lives upon rises and falls, quite irrespective of merit, so that the outside investor is at all times losing to the Stock Exchange, even when he gains. (The cost, plus stamps and fees, etc., of our Stock Exchange is far higher than any other Stock Exchange in the world). The company promoter and the issuing house quote the highest price to the productive industry and give to the public the least possible advantage. The underwriter, saddled with a new issue, calls upon the Press to persuade the public to take the burden off his shoulders. New issues vary ; from those which are merely advertised in the Press but are not an application for public subscription, being too good for the public, down to the issue which has special advertisement in the Press and where prospectuses are sent to country addresses and should be treated with suspicion. Loans to foreign countries are organized and arranged by the City of London with no thought whatsoever of the nation's welfare but solely in order to increase indebtedness, upon which the City thrives and grows rich. When a productive industry is unable to meet its commitments, it fails and goes into bankruptcy. When the money industry fail, the whole country is forced to make sacrifices in order to save the 'financial interests.'

If productive industry could cut out the intervening profit of the middleman and trade direct with the individual consumers of their products, there would follow an immediate demand throughout the country for a much greater production, necessitating an increased employment of labour and therefore an eventual reduction of taxation. Unfortunately this is an ideal situaton which is impracticable and impossible: These middlemen, these agents, these brokers and jobbers, money and metal exchange operators, money-lenders, issuing houses, banks and insurance companies—these *entrepreneurs* create nothing at all. They are the drones of the national beehive and live and are dependent upon the honey that others collect. Like the unemployed, they are supported at the cost of the nation.

In recent years a curious change has come over the British investing public. They refuse to do what is expected of them ; more often than not ignoring the advice of City editors which is so temptingly laid before them in the Stock Exchange news ; casting on one side the advice of their broker to switch from this investment to that, almost as if they supected that some other broker was advising his client to switch from that investment to this.

With a flourish of printer's ink, some desirable new issue is underwritten, sub-underwritten, strenuously advertised, and strongly recommended—only to prove a dismal failure. The issuing houses are completely out of touch with the sentiment of the public investor. Foreign lending has become a thing of the past. What has happened ? Is it really the vagaries of Hitler which are responsible for this lethargy and inaction ? Have we lost the gambling spirit ? We watch our securities rise and fall and then rise again. . . . We just smile and do nothing. At the week-ends, Friday to Tuesday, jobbers widen the prices of securities just in case someone might come along to buy or sell while they are away. But there is no real movement,

no business, nothing doing. The Stock Exchange every now and then emits a buzzing noise as if it were anticipating some activity in the hive ; but nothing happens, and once again it lapses into its now customary drone.

Not long ago influential voices in the City were crying out against Treasury restrictions and demanding the resumption of foreign lending. To-day those voices are silent. The semi-concealed failure of certain important loans has demonstrated in no uncertain manner that the British investing public is no longer content to be exploited for the sole benefit of the City of London, and of such industries in this country as profit by foreign orders and, for their exports, receive payment out of the pockets of the British Investor. Over the last fifty or sixty years, something in the neighbourhood of £8,000 million has been lent abroad, on which the promoting and underwriting commissions alone must have been considerable. Of this huge amount, something like £4,500 million can be regarded as wiped off the slate and gone for ever. The British investing public, who have carried the long-term risk, are no longer foolish enough to continue throwing good money after bad ; and they are right. Foreign lending, as once we knew it, is now also gone for ever.

As it happens, I have known the island of Madeira for some thirty years, and in that time I have watched its climatic change. It is true to say that the climate of the island has entirely altered because Madeira wine, once in great demand, became no longer fashionable. But the actual sequence of events, in outline, is that demand for the wine was lowered, and the vineyards, bare in winter, gave way to sugar plantations which absorbed and retained the moisture of the rains by shading the soil from the sun ; resulting in more clouds, more rain, less sun, and so a very diffierent climate. There are innumerable instances showing how simple it is to confuse causes with effects and how easy to conclude that intermediate effects are primary causes. Some assert that armament companies are a cause of

war. So also we are led to believe that the main cause of international disequilibrium, in the exchange of goods and commodities between one nation and another, is to be found in the trade restrictions imposed by individual nations, which hamper international trade and delay world economic recovery. Remove or greatly modify these restrictions and all will be well. . . . It seems a perfectly logical argument, but the question might be examined from a slighly different angle :

It was raining heavily ; the nations were getting wet ; so they put up their umbrellas to protect themselves as best they could. But umbrellas are encumbrances to activity. In these days of competition we want both hands free, and so we said, 'Let us by mutual agreement cast aside our various umbrellas, in order that we may all work with both hands.' An excellent idea. But unfortunately the rain still continues, and if we all discard our umbrellas we shall all become most miserably wet. What in reality we want, is for the rain to stop. If and when that happened, the umbrellas would automatically become useless. Once we have arrived at this conclusion, we are logically bound to ask what has been the cause of the economic downpour which has produced these economic protective measures ; and we immediately find that it resolves itself into a question of Prices and Costs—and not entirely that, but also the variability and the changes of these Prices and Costs.

The first consideration of a nation is, or should be, the protection of its own nationals and its own industries. It will never allow, in principle, a foreign importation to ruin its own producers of that same commodity. In other words, no one will buy a pair of boots for a sovereign if he can get them for 15s. And so, gradually, it dawns upon us that the whole question of International Trade, and of greater freedom in exchanging goods with one another, is not a question of the real value of the exports themselves but of the *price* of those exports — that is to say, the

money value. The problem is therefore essentially a money problem. The value of a ton of butter may be the same everywhere, but its price when delivered to this country or that may be very cheap in one market and prohibitive in another. Why ? *Because we do not possess, and have never possessed a true and honeest measure of value.* Those 'umbrellas,' those trade restrictions, came into being solely because money in one country buys much more, or much less, than it does in some other country.

The restoration and comparative freedom of International Trade does not depend primarily upon the elimination of existing trade restrictions ; it depends fundamentally upon a new and better money system, so that money based upon goods and commodities shall represent the true and international value of those commodities, and shall cease to be, as it is to-day, a permanent and constant irritant and restriction standing in the way of the world's economic progress, the happiness of the peoples, and the achievement of a lasting peace among nations.

IV

THE CASE FOR AGRICULTURE AND THE PRODUCTIVE INDUSTRIES

IT is impossible to over-estimate the extreme importance to agriculture and to the individual farmer which a stable measure of value would be. Supposing, for a moment, that the stable measure of value already existed, we can see what a difference it would make to a rather impecunious farmer who has a loan from his bank which he cannot repay; a tithe to pay, which is out of all proportion to his agricultural turn-over, where an unprofitable price level exists.

In the first place he would be able to calculate within a few shillings what extra quantity of produce he would need to grow in order to meet annual interest and, eventually, the capital of his loan. He could look at a field of potatoes, or a herd of cattle, and work out roughly what his profit should be when he finally sold them for cash, and what proportion of his produce would be needed to meet his bank-loan requirements. He would know what his cost of living would be, he would know what the price of machinery would be, and, with the help of government statistics, he could make up his mind what it was safe to grow. He could distinguish between his crops as an investor distinguishes between Gilt-Edged stocks and ordinary shares; carrying a greater risk, but with the possibilities of larger profits.

From the national standpoint it is essential to realize the nature, and to weigh the importance, of conflicting interests. But it is not right to do so solely from the point of view of foreign trade and international finance; nor is it right to decide, as if it were a recognized economic law, that no development of British agriculture must be permitted to go so far as to interfere with these supposedly prior claims. It is not right that the interests and influence of money should persuade our

leaders that imports from foreign countries are of greater importance than the encouragement of our home markets and of the employment of British labour; nor is it perfectly honest to persuade the public that the first and foremost duty of a National Government should be the protection of international interests.

Thus, British agricultural interests, and the development of the land for the production and proper marketing of home-grown meat and foodstuffs generally, still remain confined and restricted by the definite limitations imposed by more powerful interests which are considered to be of greater importance to our economic system. In its development the home-grown meat industry can go so far and no farther ; for as soon as the proper development of the land begins to encroach upon the built-up area of those more powerful interests, it is met with an impassable barrier.

Until we can begin to realize, perhaps by still greater suffering, that a policy of exaggerated internationalism is by no means the only approach to peace, British agriculture will remain of third-rate importance on the list of reforms which should constitute our national and imperial policy. It is only by amalgamated effort that agricultural interests will find once more their rightful place in our economy.

With the help of nature, mankind to-day is capable of producing far more than mankind can consume; more food than he could eat, more clothing than he could need, more houses than he could occupy, more entertainment than he could enjoy, more protection, more work, more leisure, more opportunity, and a more contented mind. Even were the productive capacity of the world to stop still where it stands to-day, the world would not suffer for years to come. If need be, the world can produce more than the whole world can usefully consume. How fortunate we are, and how contented we should all be! What a wonderful world! —divided, it is true, into sections of different sizes,

speaking different languages, possessing different climates, characters, temperaments, habits, and customs; some educated, others primeval; some clever, some foolish, and some intellectual; wearing different clothing, and having different religions; yet, nevertheless, all bound together by the one common and universal desire of man: to be happy and contented, to possess the hope and opportunity of becoming even happier and still more contented, to live and let live, and to help one another . . . An idiosyncratic picture, so unreal, so far from the actual truth, that it seems mere waste of time to contemplate it. And yet, however difficult or even impossible it may seem to turn this dream into reality, we are confronted with the undeniable fact that the chaotic state of the world is due to the inability of consumers to use and profit by the world's ability to produce If once we can decide what it is that constitutes a barrier between the producer and the consumer whilst both remain dissatisfied, we shall have discovered, not only the main cause of the world's discontent and of the existing enmities and jealousies among the nations, but at the same time the true road to the peace of the world.

If the producers are waiting to produce more, if ships are waiting to carry the goods, if there are railway and transport services wheresoever there is a demand for them, then the fault must lie with the consumer. Why does he hold back the trade and commerce and progress of the world, and prevent the consummation of a lasting peace by deliberately refusing to avail himself of the good things the word can offer him ? The answer is obvious. The consumer cannot afford to buy more; he has not enough money! Let us discard all biassed opinions, and we shall find it possible only to arrive at one decision—that the health and welfare of the individual, the happiness of the community, the contentment of the nation, and the peace of the world, are mainly, if not entirely, a monetary problem.

Those whose main business it is to make profit out

of short-term money are inclined to have a short-term outlook. Those who deal in money and who profit by the indebtedness of others may attempt to argue that Finance is still the handmaiden of Industry and that the fault is in reality one of 'over-production' or of industrial inefficiency ; or that the world has been attempting to live beyond its means; or that, because we have by habit regarded money as wealth, we are confusing produce with its value in terms of money. So also Germany does not admit her responsibility for war any more than the armament firms admit their sinister influence over pacifist premiers. We do not allow brewers to dictate our licensing laws nor the hours of opening public houses, any more than we allow motorists to decide our speed limits or to dictate by-laws for the pedestrian or to decide the price of petrol. In the same way, a very large section of the community is becoming unreconciled to the fact that the nation's monetary and financial policy is influenced, if not entirely directed, by the directors of the money industry and international finance, whether these be British subjects or not. . . . Shall tht claimant choose his own compensation, or the thief his term of imprisonment ?

The United States have already made a move to break away from this country's policy of inaction. Having thrown overboard the gold standard, President Roosevelt has had the courage and true statesmanship to inform the world, by his defiance of the orthodoxes of finance, that in his view the prosperity of the producer and the consumer are of greater importance than strict adherence to the principles of what is termed by its exponents as 'sound finance.' His especial determination to assist American agriculture, taken in conjunction with the demand of the United States farmer for an 'honest dollar,' reflects the desire of the British farmer for additional credit facilities and an 'honest pound.' Although President Roosevelt has not yet been given scope to develop his policy with freedom of action, upon its development, and upon his not being forced to submit

to the powerfully combined influences of international finance, will depend the repercussions which will result from his policy and their effect upon producers in this country and in the rest of the world.

It is a logical and undeniable fact that once we could point to a prosperous agriculture, down would go our unemployment figures, up would go the demand of the primary producer for manufactured articles, and their increased output would in turn necessitate a greater demand for labour. This important repercussion, with its beneficial results upon the health, stamina, and birth-rate of the people, seems to have escaped attention altogether. To those who believe that a properly balanced economy is still possible and desirable, it would seem that our trade policy is to be based upon the idea that it is impossible and undesirable to alter what already exists.

During a speech in Northumberland in 1938, the then Financial Secretary to the Treasury made the following statement: 'Securing the greatest measure of prosperity in the country does not mean securing the prosperity of one industry or one class at the expense of another, or vice versa.' No one would dare attempt to refute this ideal dictum; and yet, since that is precisely what we have been doing for half a century, it could only have referred to a future policy and could only have meant one of two alternatives — on the one hand, a Governmental determination to recognize existing economic factors, to stabilize the existing order of things, and to maintain the existing relationships between our different productive industries where they must continue to compete with each other in a restricted market possessing strictly limited purchasing power. But at the same time we were told that prosperity could not be achieved in this way. What, then, is the alternative? Virtually, we have been given to understand that British agricultural prosperity would be a national catastrophe; but we have not yet been told the solution of this inequitable and impossible economic situation, nor what action it is proposed by the Government to take in order to remove

the economic obstacles which necessitate and have established the admittedly unchallengeable fact that, under the present order of things, British agriculture must not be given the opportunity of becoming a prosperous and profitable business employing hundreds of thousands more men, because its prosperity would adversely affect other vested interests, some of them foreign, supported by the political influence of financial internationalism.

It is so easy to say that the Government's agricultural policy is based on the view that town and country are interdependent and that neither should be sacrificed to the other. But agriculture has already been sacrificed until it has been reduced almost to bankruptcy, and the first consideration should be a restoration of its rightful position so that the interests of town and country may meet on equal terms. The more foodstuffs we import, the better for our export trade and the worse for our own agriculture; and to say that the best guarantee of prosperity for the British farmer is a prosperous urban and industrial community which in turn depends on a flourishing export trade, is, in other words, to say: Let us import still more food from abroad for the people, anl then they will consume more food produced at home!

To say that any measure which gives the farmer immediate benefit at the expense of our overseas trade would soon react against him by throwing more people out of work and reducing their ability to buy his products, is an admission that, in spite of all our boasted social reforms, the man out of work would immediately be forced to cut down his own food supply, to buy less from the home producer of food, and so become, to the national disgrace, inadequately fed. But why should this have an adverse effect upon the home producer if foreign imports of food continue to flood the market? On the other side, it would be equally true to argue that any measure which gives the farmer immediate benefit at the expense of our overseas trade would nevertheless benefit the employment of British labour and increase their ability to buy home-grown food.

It is not the object of these comments to refute the arguments of our politicians, but to emphasize the fact that very often there is an evident tendency to adapt an argument to suit a prearranged policy and to discount the reactions which it involves. Agriculture is in the doldrums and must apparently be kept there, lest by its prosperity it should damage the interests of other industries, and especially of our export trade.

A prominent feature of our policy having long consisted in securing the prosperity of one industry and one class at the expense of another, the following instances may be quoted:—

British investors in foreign loans have, over the last fifty or sixty years, lost some £400,000,000, so that our exporters and importers might flourish and continue to export gifts to foreign countries at the expense of one class—to whit, the exploited British investors.

Have we not hitherto heaped burdens of taxation upon one section of the community in order to benefit another ? Has not our whole economy depended upon the process of robbing Peter to pay Paul ?

Have we not deliberately delayed the production of oil from coal, in the interests of international oil companies ?

Have we not destroyed coffee, cocoa, wheat, herrings, for the benefit of those most interested to keep up the price of these things against the consumer ?

Have we not issued war loans, and inflated the currency and then deflated it for the benefit of the moneylenders ?

Is it not common sense that in the case where a consumer has one hundred pounds per annum to spend, a new and additioal expenditure on a motor car benefits the motor industry at the expense of other industries ?

But the most outstanding instance of all is the case of the British primary producer. In British agriculture, which is peppered all over the country, there is a lack of cohesion and co-operation. For this, the greatest of productive industries, there has never existed a national

policy; for the simple reason that British agriculture under party politics can be dealt with peacemeal, as consisting of widespread village voters who form a purely local minority of electors. Thus, British agriculture—by which is meant the interests of the producers of food from the land, and not the many lucrative businesses of the middlemen and the distributors—has been consistently used and exploited in order to secure or to maintain the prosperity of other industries.

It has been so easy to raise the cry: 'You food will cost you more'; so easy to persuade the ignorant townsman that, because food is the first essential of life, therefore cheap food is fundamental to the lives of the many millions of under-nourished families in this wealthy country, who possess full voting power but totally inadequate incomes to live decently and contentedly. It has therefore been easy to obtain political support against any legislation which might benefit the primary producer, or to obtain it in favour of any legislation whereby the primary producer is squeezed in order that other industries may remain assured of their market.

World peace and prosperity, the recovery of agriculture, and the restoration of confidence between industry and finance, can only be achieved by the introduction and adoption of ***a stable measure of value,*** permitting a better and more equitable system to operate successfully.

V

DEMOCRACY OR FINANCIAL DICTATORSHIP ?

A GREEMENT amongst the nations to co-operate in the avoidance of war, so that the temptation to regard might as right may be eliminated for ever, and the consciousness of offensive or defensive superiority no longer exist in our mentality as a weapon to add force to national diplomacy, is an ideal which will always remain the aim of the civilized world, But democracy is in danger for the very reason that democratic government itself is subservient to the sectional interests which control finance, and which have it in their power to inflict a financial crisis upon the nation should they anticipate legislation inimical to their own particluar interests.

Such are the economic conditions which are declared to be unavoidable and which only circumstances can in time eradicate. The time has come when we must create those circumstances and change those adverse economic conditions; for, until this is done, war and the menace of war will continue to hover over us. General uncertainty, leading to discontent with existing forms of government, has increased the tendency towards dictatorship and of temporarily benefiting one nation at the expense of others. We have seen nation after nation, each in its own particular way, attempting to defend itself against the unnecessary hardships imposed upon it by a wrong monetary system. Whilst at any moment there may be currency reactions, it must remain difficult to contemplate any permanent recovery until the great creditor nations are willing to adopt a uniform policy.

No greater threat to humanity and the progress of civilisation can be conceived than the general spread of the Hitler regime of brute force. To crush out that regime for all time even if it stood alone as our sole war aim, would seem enough in itself without the necessity of searching for other objectives. Although we recognize how serious and how immense is the task that

we have undertaken, the vast majority of us gain added strength from the knowledge that righteousness and justice are on our side. The nation has reached a state of preparedness, both mentally and physically, both for offence and defence, which will render the sacrifices and hardships and swift calamities that we must inevitably endure powerless to divert it from the set course which it has determined to pursue to the end. Yet even then, even when this great objective shall have been gained, our labours will by no means be over. There is still a long way to go before we can begin to contemplate that promised land of peace and justice for mankind which no destructive war can ever of itself attain, and there remains vital work of preparation and reconstruction at home which cannot be neglected or delayed.

Unless we can contrive to design and establish an improved and reformed financial system, which is the first essential towards a new and better economy in our own country, no satisfactory outcome of the war is possible; for where there is still widespread injustice and discontent there can be no ending to that war, unless it be a tangle of internal revolts and revolutions. How can we presume to hold up our own social system as a pattern for other nations to follow, whilst it breeds selfishness, unrest, and dishonest competition amongst our own people, and whilst it is dominated by a decadent financial system in which we possess an ever-diminishing confidence and which is not even under the unbiassed control or management of Government chosen by the will of the people? How can we hold out to the German people, or to the world, the promise of justice under a new and better economic system that will eliminate poverty, malnutrition, and unemployment, whilst no such system exists, and whilst our own system is still permeated with these same evils?

On the other hand it is unthinkable that we should pretend to ourselves that we can, first of all, and by the successes of our arms, create in Germany an economic vacuum and, having done so, compel her to adopt a moneylending system of international finance, designed

for the benefit of international financiers who will become more and more anxious to preserve their monopoly and their immunity from governmental control. Are we now fighting to uphold freedom and democracy, or are we fighting to uphold and strengthen the dictatorship of international finance ? The mere conception of His Majesty's Forces should fight for the benefit of such dictatorship, which already wields an independent power in exact opposition to social progress throughout the world, is wholly incompatible with the defence and maintenance of democratic freedom and seems utterly absurd. But this world power, with its permitted control of the national money supply and with its support of a monetary system that has plunged every nation into the miseries of irretrievable debt and the world into economic strife, should not be underestimated.

It would have been wise to have expended some of our energies in strengthening our home defences by placing democracy in an impregnable position under a money machine managed and controlled by its Government and worthy of the public confidence, But although it is simple and obvious enough to suggest that the time for constructive reform is long overdue, this is a problem entailing war against a dictatorship of international finance which holds every key position on the battle front and the power to cut off essential supplies at the mere threat of attack. We have only to remember the fate of President Roosevelt's policy in the United States, which aimed at the introduction of the honest dollar' and a better standard of living for his people, Yet even these considerations must not be allowed to prevent us from making an endeavour to free democracy from the one great obstacle standing in the way of social progress; and we must also bear in mind that the alternative path leads to revolution and bolshevism and the break-up of what we call World Civilisation.

In modern times there should exist no such thing

as an economic system without a money supply system. All the business interests of the country, progress, trade, industry, and the well-being of the people, are dependent upon certain essential supplies without which the whole economic structure would collapse. We see how, in the case of all essential supplies, the greatest care is taken to protect the best interests of the community by just and adequate legislation and Government control. But we find the one outstanding and most important exception in the national money supply, upon which all other essential supplies are dependent for their sale and their purchase. The money supply and the management of the money system are almost entirely outside the control of the Government and are operated by an outside, individual, section of the community, working for profit and possessing a virtual monopoly of lending credit to the community at high interest—a credit based upon the community's own money; this indeed being the only means, under the existing system, of distributing such credit as may be available, so that goods may continue to change hands and so that those in need of money can borrow the use of it, provided they are 'credit-worthy' borrowers. Above and beyond this, we discover that, in the progress of time and through our own base carelessness and ignorance, we have permitted the money industry, by the very virtue of its business, gradually to attain a political and economic influence so wide and powerful that it has actually undermined the authority of the State and usurped the power of democratic government.

There is nothing new in this emphatic assertion, and it does not emanate from a distorted imagination but expresses without exaggeration the sane belief held by many thousands of thinking individuals in this country and throughout the Empire, and, for that matter, throughout the world. It is shared also by many a score of highly intellectual business men in the City of London; the majority of whom, however, would no more dare—(and no one could blame them)—openly to declare their views than they would tweak the noses

of their bank managers, but who are certainly not solely guided by the profit motive and who would willingly sacrifice the present monetary system in order that a reformed system should safeguard the future of the Empire and all the peoples who constitute it—employers and employed alike.

The object and existence of money is to enable and facilitate the exchange of goods and services. The only value in money lies in the value of the goods which it enables us to exchange with other goods; where there are no goods to be exchanged money is completely valueless. A sack of gold on a desert island is not worth as much as the sack that holds it; and to allow the supply of money to regulate the production and consumption of goods, is as if we allowed strawberry-baskets to regulate the supply of strawberries, or an insufficient supply of bus tickets to bring about a strike of bus drivers. And yet the present order of our lives is governed and controlled by the governors and controllers of money so that those who have developed the business of letting out strawberry-baskets on hire, now control the production and consumption of strawberries. If an economist from Mars or a little child of ordinary intellect were told of the present position they would rock with laughter at the blind stupidity of mankind.

This national and mainly international dictatorship of money, which plays off one country against another and which, through the ownership of a large portion of the Press, converts the advertisement of its own private opinion into the semblance of general public opinion, cannot for much longer be permitted to render Democratic Government a mere nickname. To-day, we see through a glass darkly; for there is so much which 'it would not be in the public interest to divulge.' As a consequence the public has not unnaturally become suspicious; not so much of the Government, democratically elected, as of those other far-reaching influences which are suspected of exerting undue pressure upon the freedom and discretion of Government at all times to legislate and act for the benefit of the State.

Lest they should spread and replace democracy, this country now concentrates upon attacking or distrusting dictatorships in any shape or form in other countries. A constructive monetary policy in our own country would strengthen the power of democracy, and would cast out those enemies in our midst who are trading upon our supposed ignorance whilst depriving us of adequate means to express our opinions. In short, it has begun to be generally realized that the free vote of the people no longer insures democratic government except in name, and that the widespread influence of money, of finance, and of 'big business,' and, above all, of international finance with its impartial patriotism, not only dominates governmental policy, both national and international, and affects the lives and livelihood of the people, but has very nearly succeeded in converting our boasted democracy into what is virtually a financial dictatorship. Do the people of this country want such a procedure to continue ? We are prepared to admit that, without honest and skilled leadership, democratic rule is akin to mob law; but are we prepared to entrust the future of democracy to sectional influences governed and controlled by those few who still govern and control our capital, our money, and capital's international finance ?

Strenuous efforts have been made over some twenty-five years to patch up the money system in an attempt to make it last a little longer; but it has stood, and now stands, in the way of progress and social betterment, thereby creating universal unrest and a tendency to obtain by force what cannot be obtained otherwise. For the sake of our children let us take warning in time. Let us discard the policy of inaction and pretence. and boldly face the fact that it is not the inevitable smoke of the galley-stove which assails our nostrils, but that a fire is raging in the hold and that the ship of State is in imminent danger. Our democratic system and our existing financial system can no longer live together; one of them must give way to the other.

VI

TO BANKERS AND OTHERS

THIS accusation against the monetary system is not intended to cast doubts or aspersions upon bankers and those few hundred individuals who, either directly or by their expert advice, control its management. Business is business, and it is only human nature and to be expected that a business man should consider his own business and his own shareholders first. There are some of us who believe that without armament companies there would be no war, just as there are others of us who believe that it is war which brings armament companies into existence; and so, when it is universally admitted that a community cannot nowadays lead a normal life without money, it is not unnatural that those who control and deal in money, who thereby possess the power of issuing or withdrawing credit, and who decide the ups and downs of the price level of commodities and the value of wages, should have come to regard their own business and their own property as transcending in importance all other considerations and all other businesses.

For them it is perhaps only natural that they should argue : 'Let the people and their governments be careful to take no action and do nothing which might weaken the power and strength of the money business; for money rules the world. As long as we can keep the international business of banking and finance intact and unaffected by troubles, all will come right in the end.' But it is precisely this argument, and the monetary policy adopted for the last fifteen years and contrived for the benefit and preservation of the money business and of the system that it advocated, which has led up to the present world chaos.

The monetary experts, the banking and finance interests, led astray at first by the City of London and

obsessed with the urgent necessity of getting back to what was considered to be the res-establishment of 'sound finance,' failed to pay sufficient attention to the new factor which had arisen in the world— a factor which they themselves, through their own highly prized system, had created a century ago, but which has since grown suddenly to such vast dimensions that it now overwhelms and renders diminutive the favourite theories and admitted practices of the past. They watched with pride the growth of their own child, but they did not realize that they were nurturing a robot which must sooner or later grow up and become a serious menace to its over-indulgent parents.

This new factor is the ogre of the world's stupendous money-indebtedness to its own financial system. With every market short of purchasing power, the financial system set the whole world gambling on its future capacity to produce more and sell more and at the same time pay off its debts; and it is mainly the abnormal efforts of almost every nation to pay off, or even to pay the interest on, its impossible debts, which have resulted in the present international confusion where each nation seeks to exchange its own produce for the money of other nations, but not for the produce. For money debts cannot be repaid by produce unless and until that produce has been exchanged for money; production is of no value to finance except in so far as it may be converted into money; and the money industry, under the existing system, almost wholly depends for its prosperity upon the indebtedness of others. What finance has failed to perceive is that there is a limit to the profitable increase of this indebtedness. Similarly, Vickers, Limited, and, as the Bank of England knows only too well, Armstrong Whitworth and Co., and their respective shareholders, were half ruined by the war of 1914-18 and its natural repercussions. Those who regard Vickers Armstrong as war-profiteers either possess superficial intellects or have no knowledge of the proven facts; and I, who write, have suffered, and I know.

Having indulged in these symbolic diversions, without animus, without prejudice, and with no personal axe to grind, I would appeal to all those who have the power to pull the strings of influence—which under the present regime are more powerful than a thousand so-called democratic votes at a general election — to consider the economic situation as it exists to-day. If they are honest, if they would deem it a gross insult to be included amongst those who place temporary personal aggrandisement before permanent national welfare, let them consider the economic situation and think deeply. It may be that many, in these precarious times, will be inclined to say : 'This situation is not new. There is, of course, at such times as these, a natural division of opinion between those who are contented to continue the present order of things, and those others demanding what they believe to be a better and more Christian ideal which should replace it. This is no concern of mine; they must fight it out amongst themselves. I have quite enough to look after my own business.' And to these I specially appeal; for every productive industry, great or small, every man and woman employed in that industry, and every office-boy, is dependent upon the profit and therefore upon the output of that industry.

Having had the opportunity of acquiring, over the last fifteen years, a great knowledge of the feeling and the tendency of the people than most bankers could have achieved over two or three years, I would make the following appeal to the bankers of this country, to those who manage the machinery of money and credit, and to those who are satisfied with things as they are and therefore see no reason for change :—

1. I ask you to remember that you are dealing to-day with a general public of a far greater education and of a more thorough knowledge of affairs, of foreign policy and of financial policy, than they have had in previous times; and that the majority of these are

conscious that, in some way or another, the key that locks them out from the enjoyment of the good things in the world's shop windows is *money*.

2. That, because the public come into contact with the monetary system mainly through the medium of banks, they naturally tend to blame the banks for the difficulty; not realizing that they are, in large measure, tied houses — tied, that is, to the monetary system, and that, however great or small the faults of the banks, it is in reality the *system* which is at fault.

3. That banking is an industry working for profit, just as a gas company or any other utility company works for profit. And the people, realizing this—erroneously, perhaps—do not believe that any essential supply company should, at one and the same time, have control of the volume of its output and control of the price of its output, when the supply of its product is essential to the lives and welfare of those masses of the people who are dependent upon that product.

4. That, whilst it may be possible, having regard to the immense power of money, artificially to maintain and uphold the present position for some months or for some years to come, against the rising revolt engendered by the present system, yet the time must eventually arrive (as it did in Russia, as it has in Spain, and as it may do in France) when the mass of the people will insist upon their right to possess a much larger share of the country's available wealth, and when they will insist also upon a much nearer approach of to-day's poverty to to-day's weath. With all earnestness and honesty I implore them to think of this possibility and to take warning in time; to recognize what is inevitable, and to decide : Whether it is best to continue the present regime and, with the power of the Press and with the power of money, to continue to fight for its supremacy; or, alternatively, whether it may be best to recognize that, for the good of the country, the maintenance of the Empire, the benefit

of the British world community, and for their own benefit, they should immediately take steps to associate themselves with those who are demanding reform of the monetary system. This refers more especially to the controllers of the system, embracing the whole of that particular section of the community which deals in, manages, and controls money, credit, and finance, and whose business mainly depends upon the indebtedness of others.

5. At times there has been in operation an expedient of cheap money, coupled with a policy of secret and progressive inflation, when it has been hoped (not without reason) that such a policy, by creating a steady improvement in trade and a gradual diminution of unemployment, would in time obliterate or conceal the necessity for reform and the exacting demand for a better monetary system. And yet I would ask our experts and our financial advisers to accept assurances that such a policy, welcome though it is, will not suffice; for past experience has taught a very large section of the public that, whilst temporary policies may give temporary relief, nothing but a thorough reorganization and rationalization of the money industry and the money and credit system will satisfy the permanent needs of the community and once more restore the confidence in the financial system. Rightly or wrongly, a conviction exists in the minds of individuals and organizations influencing a predominant fraction of public opinion, that finance must in future become the servant of industry, and that the welfare of the country and of the Empire is of far greater importance than the welfare of the City of London and the profits of international financiers.

6. That the true wealth of the nation does not consist in the hoarded gold of the Bank of England, nor in the book-entries standing to the credit of merchant bankers. The wealth of the nation lies in its capacity to produce goods, and its capacity to consume goods, and its capacity to exchange its

surplus goods for necessary importations from other countries. If the City of London, with its banks, its gold, banknotes, and its money, were suddenly to sink into the bowels of the earth and be no more, the country would go on, and, with incredible rapidity, would recover from the shock and build a new and perhaps a better City. But if the country vanished, the City of London would be dead for ever. In the last resort, production and consumption could continue without money; but money would be useless dross without production and consumption.

VII

THE DIRECTION OF FUTURE POLICY

IN the question of what steps should be taken to put matters right, I can only suggest the general direction in which our future policy should point ; for I myself do not believe that there exists any perfect cut-and-dried scheme which is likely hereafter to be adopted, lock, stock, and barrel, as our future monetary system. Moreover, there are many other technical and psychological considerations which would be necessary in order to achieve peace and contentment amongst the people. The main objectives, however, should include :—

1. State control and State issue of currency and credit through a central organization managed and controlled by the State.

2. Stabilization of the wholesale price level of commodities. That is to say, a fixed and constant internal purchasing power of money; so that a pound will buy to-morrow what it bought yesterday; an honest pound, not a fluctuating pound. And this can be done by so issuing and regulating the volume of available credit and currency that it shall at all times be adequate to permit of the purchasing power of the consumer being adequate with the volume of production; not by limiting the purchasing power, but by firstly increasing purchasing power more in proportion to the productive capacity of industry.

3. Fixation of foreign exchanges by foreign exchange equalization funds, and agreement with Empire countries and all other countries willing to fall into line; and, once this was accomplished, the removal or diminution of trade barriers which to-day protect the countries from the results of a bad monetary system.

4. Any additional supply of money should be issued as a clear asset to the State; so that money will be spent into existence, and not lent into existence,

5. The fluctuating quantity of gold lying in the vaults of the banking system should never be permitted to govern the volume of credit and currency needed by the country.

6. The elimination of slumps and booms; and more direct procedure for eliminating unnecessary poverty.

7. The abolition of the Debt System where all credit is created by the banks and hired out at interest to the country.

8. Absolute State control over all foreign lending; and the adoption of the general principle that our foreign trade should be so conducted as to preserve—

(a) the interests of the Home Market,

(b) the interests of the Empire countries and the English-speaking nations,

(c) the interests of Foreign nations,

and that this principle should particularly apply in the case of Home production and foodstuffs.